



Official Minutes from the November 05, 2021 MCC Advisory Council Meeting

Millennium Challenge Corporation (MCC)
November 5, 2021
9:30-11:30am ET (via Webex)

Meeting Agenda

9:15am	Webex Conference Line Opens
9:30am – 9:35am	Call to Order and Roll Call <i>Alex Dixon, Practice Lead/Senior Director, Finance, Investment and Trade</i>
9:35am – 10am	Welcome Remarks and Dialogue with Members <i>Fatema Z. Sumar, Vice President, Department of Compact Operations</i>
10:00am – 10:45am	Advisory Council Discussion of Priorities for the Incoming CEO <i>Council Co-Chairs, Florie Liser and Willie Gaynor</i>
10:45am – 10:55am	Readout from Subcommittee Meetings <i>Energy and Climate, Kate Steel</i> <i>Blended Finance, Valérie Vencatachellum</i>

10:55am – 11:20am	Member Feedback/Discussion: Malawi Compact and Overarching Feedback Regarding Compacts with Agribusiness Focus <i>Eric Trachtenberg, Practice Lead/Senior Director, Land and Agricultural Economy</i> <i>Joel Wiegert, Country Team Lead, Malawi</i> <i>Kathy Farley, Senior Operations Advisor – Finance, Investment and Trade</i>
11:20am – 11:25am	Advisory Council Housekeeping <i>Alex Dixon, Practice Lead/Senior Director, Finance, Investment and Trade</i>
11:25am – 11:30am	Opportunity for Public Comment
11:30am	Meeting Adjourns

Call to Order and Roll Call

Beth Roberts welcomed everyone, and Alexander Dixon opened the meeting and introduced Fatema Z. Sumar, the Vice President of the Department of Compact Operations.

Welcome Remarks and Dialogue with Members

Fatema Sumar noted that MCC has several key achievements including having the leadership team set early in the Administration which signals MCC's importance. Additionally, the MCC trips regarding the Senegal Power Compact, MCC-Nepal Compact, MCC's Guatemala Threshold Program, and COP26 conference in Glasgow have been impactful. MCC is prioritizing climate, gender, and inclusion while catalyzing private sector investment, addressing urgent African priorities, and preparing for the future.

VP Sumar included links in the meeting chat to two recent MCC hearings on Capitol Hill – the first held on October 21, 2021 entitled [Preparing for COP26: United States Strategy to Combat Climate Change through International Development](#) and the second held on October 27, 2021 regarding [The Administration's FY22 Budget Request for the Peace Corps, Development Finance Corporation, and Millennium Challenge Corporation](#).

Florie Liser asked how MCC is working with the Administration on climate, gender, and catalyzing private sector investment alongside government investment in Africa.

VP Sumar answered that MCC is actively engaged with the administration in all those areas, especially in gender and inclusion. With regards to catalyzing private sector investment, she noted that the necessary frameworks for the American Catalyst Facility for Development (ACFD) are nearing completion and that MCC is actively engaged in Build Back Better World Initiative, Power Africa, Prosper Africa, and more.

Lawrence Jones noted that there is a concern of private investors at COP26 and whether US investment will go to fossil fuel projects that help Sub-Saharan Africa adapt. Will MCC allow fossil fuels into the mix for adaptation and resilience?

Maureen Harrington said the US will not finance fossil fuels outside the US but will use them. Will MCC use a veto because of the impact on financing in Africa, American agencies, and our relationship to other multi-laterals?

Peter Choharis noted that this Administration focuses on climate, which is a good thing. But it will take time to abandon fossil fuels. Also, MCC needs to emphasize that human rights (not just climate) must be part of the calculus in extending loans.

Maureen asked how economic growth bumps up against country ownership where the main fuel source is gas.

Florie said that MCC needs to advocate for Africa to have a transition period that includes gas.

Olu Verheijen said we need clarity. Treasury implied that it would not impact mid-stream gas projects and energy-poor countries. We must consider low-emission, energy-poor countries by allowing gas in certain countries.

Kate Steel noted that it hurts our credibility when we still use fossil fuels but do not fund fossil fuel initiatives for energy-poor countries where natural gas is most likely to be developed.

VP Sumar said this would be good to address during COP26. MCC has been an early leader in climate, raising climate change-related activities from 40% to 50% soon. Countries want this. MCC is improving economic analytical tools, looking at environmental and social risks, and seeking opportunities to enhance socio-economic benefits. When regarding human rights we consider political, social, and environmental aspects through our scorecard.

MCC's DVP Jonathan Richart said MCC is actively participating in interagency discussions led by the current Administration and discussing moving away from fossil fuels but making exceptions for development with a high bar. There may be situations where natural gas can be supported but generally as part of a strategy to transition away from fossil fuels. DVP Richart shared a link to the Guidance on Fossil Fuel Energy at the Multilateral Development Banks that was issued by the US Treasury Department in August 2021: <https://home.treasury.gov/news/press-releases/jy0323>

Jeff Krilla stated that MCC shines in the great private-public partnership of its long-term, low-carbon

natural gas project in Senegal. He would like to give input to leaders like Alexia before these trips.

VP Sumar noted that this trip came up fast. Sometimes we do not know ahead of time, but when we have longer lead times and can connect, we will seek your input.

MCC's FIT PLSD Alex Dixon agreed and said MCC is willing to look at natural gas and downstream uses.

Advisory Council Discussion of Priorities for the Incoming CEO

Willie Gaynor pointed out that we need to balance climate, enabling critical infrastructure, and Administration initiatives.

Florie said we should build on MCC's strengths like country ownership and add new platforms (ACFD) to support climate and gender inequality. We can improve procurement policies, so MCC dollars support US companies.

Lawrence remarked that we should focus on supply chains, especially when considering where to get things like solar panels.

Tam Nguyen said private investment is there, but there is a dearth of good projects. How can MCC change that to make US companies more competitive in Africa?

Alex noted that MIIA helps projects like this become feasible. According to a McKinsey study, "Solving Africa's infrastructure paradox," most infrastructure projects in Africa fail to reach financial close – 80 percent of projects fail at the feasibility and business-plan stage.

Florie said that we should include current world issues in our letter – including COVID-19 impact.

Jonathan noted that we are in serious discussions about supply chains and solar panels. There are immediate steps like working with procurement and contract mechanisms and longer-term approaches such as establishing alternative supplies.

Alex encouraged members to express their concerns so the CEO can prioritize them. He said they will circulate the draft letter for member input.

Readout from Subcommittee Meetings

Kate Steel reported on the Energy and Climate Subcommittee recommendations that we monitor green initiatives, apply proven strategies to local situations, use longer-term cost-benefit analysis, generational impacts, and multiplier effects. MCC should look at emissions, collaborate between agencies, use other countries' frameworks, improve supply chains, use indigenous materials, prioritize local projects that are low-hanging fruit, and internalize the climate strategy going forward.

Valerie Vencatachellum pointed out that the blended Finance Subcommittee focused on how MCC should look at climate risk measures such as climate catastrophe insurance and modernizing humanitarian interventions. The committee discussed investing in a drainage system which is a sustainable financing model, investing in the existing structure, insurance, and covenants for maintaining the system.

Alex encouraged members to submit subcommittee topics, updates, and council input.

Member Discussion: Malawi Compact, Overarching Feedback Regarding Compacts with Agribusiness Focus

Alex said they would discuss agribusiness and ask for council feedback on contract and outsourcing. The Malawi and agriculture team are Eric Trachtenberg, Joel Wiegert, and Kathy Farley.

Joel Wiegert presented [slides about Malawi Compact II](#). Then **Eric** presented slides about [LAE Contract Farming](#).

Kate Ahern asked who were identified as ideal investors.

Olu described some challenges: 1) High volume: Yields are incredibly low in Africa because less fertilizer is used. 2) Climate resilience: We need high-value crops and seeds. The major challenge is driving up productivity. 3) Financing: We need to facilitate low-cost, long-term financing. 4) Post-harvest loss. 5) Poor infrastructure.

Peter Choharis said two poor-performing agribusiness projects in Africa raise issues that MCC needs to address. First, private crop insurance can lead farmers to plant high-income cash crops that are riskier and more susceptible to failure. Second, one of the negatives of blended finance is that investors often emphasize export crops to maximize investment returns, which does nothing to improve food security within a country or to reduce reliance on imported staple foods.

Stephen Groff said we need to enable environments at the macro and micro levels. Middle people capture the income. We need to balance different forms of finance, distributing the risk of new technology, new crops, new systems, and insurance risks. When we think about enabling environment, how can MCC distribute risk, so it is reasonable?

Eric Trachtenberg said we need investors who share our goals. Input reform such as fertilizers and seeds also help. We are also moving towards renewable energy coal change in Lesotho. Crop insurance is a significant problem, and he requested advice on how to address it. We always emphasize inclusiveness and focus on macro and micro policies that distribute risk in a balanced way.

Kathy described work with a local DFI in Malawi. They share MCC goals and have a good track record. We want investors that include smallholders in the supply chain. We use price volatility insurance where

side-selling raises grower risk. Cluster-farming recognizes the need for flexibility in design.

Tam Nguyen affirmed that there is a good focus on the value chain and asked how operations and maintenance are baked into agriculture infrastructure design.

Tony Bello asked if MCC has an agribusiness subcommittee. There should be a focus on food value. Staples help with food security and poverty, but the money is not there. We need industrial food ingredients made from African staples. We need to bring consumer packaged products into the program compacts. In Nigeria, he said they did a lot of work that might be useful in the Malawi corridor. Much can be learned from the USAID project. We did not focus on low-hanging fruit. We need to prioritize two to three investors who are ready to give technical assistance, help with the feasibility of business plans, and put less emphasis on quick wins in the macro-environment.

Valerie agreed on the importance of traceability of the plant, bankability, technology, and using higher-value crops.

Eric noted that market improvement systems increase accessibility and income. I think an agriculture subcommittee is a great idea. What is holding farmers back from accessing higher-value markets? Farmers must be ready to move to a higher value, but sometimes they are not like in Lesotho.

Florie stated that her question was more about places that are already producing but are still at the lowest end of the value chain because others process and ship the products (like cashews). What can MCC do to help those productive Africans to get financing and support to do the processing and get more income that way?

Joel said we took the corridor approach in Malawi to address that. When we find effective DFI, we finance them even if it is not in value production. However, in Malawi, the more structure we can give the market, the better.

Eric said we are doing this constraints analysis because people are very productive on the farm and cannot get to the missing middle. In Malawi and Sierra Leon, we focus on downstream constraints.

Advisory Council Housekeeping

Alex thanked **Florie** and **Willie** for organizing the meeting and for everyone's participation. He stated that they will look at starting an agriculture subcommittee or focus group and that MCC is trying to innovate by looking at value chains and contract farming. The group photo (taken earlier in the meeting) will be put on a LinkedIn post. Information on the upcoming sub-committee meetings will come out soon. He encouraged members to propose topics for them. Another survey will be sent for the Spring meeting. The goal is for the next meeting to be in person, should the COVID situation allow.

Opportunity for Public Comment

There were no public comments.

Meeting Adjourns

MCC Advisory Council Members Present

- Florie Liser
- Jeffrey Krilla
- Kate Ahern
- Carolyn Steel
- Cem Hacıoglu
- Dan Runde
- Lawrence Jones
- Maureen Harrington
- Olu Verheijen
- Peter Choharis
- Stephen Groff
- Tam Nguyen
- Tony Bello
- Valérie Vencatachellum
- William Gaynor

MCC Advisory Council Member Absent with Apologies

- Carolyn Campbell
- David Spira
- Deirdre White
- Joshua Powell
- Justin DeAngelis
- Nadia Schadlow
- Oren Whyche-Shaw
- Robert Prieto
- Shehnaz Rangwala
- Tariye Gbadegesin

MCC Participants

- Fatema Z. Sumar
- Jonathan Richart
- Alex Dixon
- Beth Roberts
- Jennifer Rimbach

- Eric Trachtenberg
- Joel Wiegert
- Kathy Farley